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MEMORANDUM FOR: Chief, Audit Staff

FROM : Comptroller

SUBJECT : Report of Audit of Fiscal Division
Financial Operations for the Two-Year
Period Ending 30 June 1959, dated
4 September 1959.

1. A review has been made of subject report and the following are our comments, referenced to the appropriate paragraphs of the report, on the Administrative actions requested therein.

a. Paragraph 27a:

- (1) Paragraph 3 of subject report states in part that "The criteria for documentation of obligations and responsibilities of the Fiscal Division with regard to the obligation of allotments were poorly defined and procedures followed were contrary to Agency regulations or Comptroller Instructions. Weaknesses of control noted are . . . failure to require approval of all obligations of vouchered allotments by signature of an authorized approving officer as required by [REDACTED]". The auditor's comments quoted above appear to be based on [REDACTED] Approving Officers, which state in part in paragraph 1a that "Approval by a designated approving officer must be obtained to authorize . . . all obligations of vouchered funds" whereas regulations other than [REDACTED] must be considered to determine that obligations are properly approved. Most of the expenditures paid with vouchered funds represent liquidation of obligations for salaries and procurement and our comments relative to these two types of obligations are set forth in the following two sub-paragraphs.

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- (a) The obligation documents for salaries are personnel actions from the Director of Personnel. Paragraph 10b(8) of [REDACTED] states in part that the Director of Personnel shall "authenticate official personnel action documents". All salaries paid are supported by official payroll action documents. The Fiscal Division assumes no responsibility for determining that the personnel action was issued based on appropriately approved requests from the component

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to which the employee is or will be assigned.

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- (b) Obligations for procurement are based on contracts entered into by the Office of Logistics. The acceptance of contracts entered into by the Office of Logistics for the Agency as obligations is based on regulation [REDACTED], Procurement of Supplies and Services, which states in part as follows:

Paragraph 2 - "Definitions - as used throughout this regulation, the following terms have the meanings set forth below:"

Paragraph 2a - "Procurement - Purchasing, renting, or otherwise obtaining supplies or services."

Paragraph 5b - "Within the authority delegable by law, the Chief of Logistics shall: (1) Effect procurement of and obligate Agency funds for all supplies and services."

It is our opinion that the acceptance of contracts entered into by the Office of Logistics as obligations is correct and that the Fiscal Division has no responsibility for ascertaining that the Office of Logistics has obtained proper approvals prior to entering into the contract.

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- (2) It appears that the audit of obligations was based on [REDACTED] and that the auditors interpret this regulation to require the Fiscal Division to have evidence that each obligation has been approved by an approving officer of the requisitioning component. We do not agree that [REDACTED] requires the Fiscal Division to have evidence in its files that appropriate approvals and certifications were obtained by the Office of Logistics and the Office of Personnel prior to their entering into contracts for personnel services or procurement. When all pertinent regulations, such as [REDACTED] authorizing obligation of vouchered funds are considered the auditor's comments relative to obligations are not substantiated.

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- (3) The preparation of written internal procedures, which has been planned for sometime, will be implemented to set forth the duties and responsibilities of each Branch of the Division and the procedures for effectively carrying out these functions with appropriate reference to the pertinent regulatory issuances. This program will further improve the documentation for obligations.

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- (4) The need for an allotment control procedure handbook for vouchered funds will be determined when the internal procedures of the Division are written. When [REDACTED] Headquarters Allotment Control Procedures for Confidential Funds was developed consideration was given to having it also apply to vouchered funds allotments. It was decided at that time to limit this handbook to confidential funds because the vouchered fund allotments are maintained in accordance with Federal law and government procedures.
- (5) A program to complete the file of approving officers was inaugurated in May 1959 and a current file of such officers will be maintained.
- (6) The present procedure for referencing and filing miscellaneous obligation records has proven to be satisfactory. No change in this procedure is deemed to be necessary.

b. Paragraph 27b:

- (1) The Travel Branch has been instructed to direct all individuals making refunds due to the Agency to the cashier authorized to accept remittances.
- (2) The procedures in the Payroll Branch require that all individuals making remittances in person be directed to the Fiscal Division cashier who is authorized to accept remittances. Employees assigned to this Branch are briefed on this procedure when they report for duty. A failure to follow this procedure may have been observed and the employees of this Branch have again been instructed not to accept remittances.

c. Paragraph 27c:

The Agency's present policy does not require that the cashier be bonded under the position schedule bond; however, a review has been made of this position and the cashier will be bonded under the position schedule bond.

d. Paragraph 27d:

- (1) The total amount of the funds advanced to each Cashier has been verified and corrections made. Corrective action has been taken to assure that the Accounting Branch received advice of Treasury designation of cashier and authorized fund. Also, a monthly verification of Cashiers and the authorized funds will be made.

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- (2) General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, Title 7, Section 2730. 10(c) states that "entries will not be made in the control or subsidiary accounts for advances to reflect expenditures or reimbursements made to the funds." Entries will be made only for changes in the authorized advances to the imprest funds or for changes in Cashiers of disbursing offices. A review and control of imprest funds are currently being performed through the audit of reimbursement vouchers and semi-annual audits.

e. Paragraph 27e:

25X1A6a Based on the current audit report received from [REDACTED] this fund is now being cancelled.

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f. Paragraph 27f:

The inference in the report that no follow-up was made on accounts receivable outstanding prior to the date of the audit is not correct. The Agency and the Air Force have an agreement that all contacts be made either in person or by telephone and that no written follow-ups be made for security reasons. In the future a record will be made of contacts made in person or by telephone which will show the follow-up actions taken. The actions taken to date have not been effective and every effort will be made to properly dispose of these accounts through proper channels. Comptroller Instruction No. 68 is being followed except in instances such as the agreement with the Air Force as mentioned above.

g. Paragraph 27g:

See comments in paragraph 1f. above.

h. Paragraph 27h:

- (1) The format of the weekly report of the Fiscal Processing Branch was revised in May 1959 for the purpose of showing the age of the inventory of documents on hand which could not be processed for audit because necessary documents such as receiving reports had not been received. This was done as part of an aggressive follow-up policy made effective the first part of March 1959 when an employee of the Accounting Branch was detailed to the office of the Chief of the Division, under the immediate direction of the Deputy Chief, for the purpose of devoting full time to the follow-up of missing documents and certifications of the receipt of services. For the period March 1959 through August 1959 approximately one and one half employees devoted full time to the expediting and processing of claims by an aggressive follow-up procedure.

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The detail of an employee to the office of the Chief of the Division was discontinued at the end of August as the number of unprocessed documents held over 4 weeks had been reduced materially and the follow-up of such cases can be handled without the services of the full time of an employee assigned to this function.

- (2) Routine written follow-up of missing reports has been tried and has proven to be generally ineffective. The follow-up procedures inaugurated in March 1959 provide for routine follow-up by telephone by the various clerks processing the documents then a follow-up by the Chief or Deputy Chief of the Fiscal Processing Branch. Whenever these actions are not effective the Chief or Deputy Chief of the Division contacts appropriate personnel in other components to call their attention to classes or types of transactions where documents or certifications are not being forwarded promptly.

1. Paragraph 27i:

Paragraph 1a(5) above states our position relative to a file of approving officers.

J. Paragraph 27j:

Expenditures are not approved based on miscellaneous obligation records. The MOR is a record of the amount obligated, all charges in the account of the obligation and all liquidation of obligations for services such as rent and telephones. All payments for such services are based on a contract, a claim from the vendor and a certification from appropriate authority that the services have been received and the amount of the claim is correct. The MOR is used in the audit of claims to assist in preventing duplicate payments.

K. Paragraph 27k:

A central file of all original obligating documents is maintained. It is apparent from the comments in paragraph 10 that the auditors are considering the memoranda from the component estimating the amount to be obligated for a specified period as the obligating document. This is not correct. The obligating authority is the contract for the services and this contract is used by the certifying officer in approving claims. The memorandum obligating record is not used as the primary authority for the payment of claims.

1. Paragraph 27-1:

We agree that only authorized persons shall certify that services have been received. Recommendations will be made to

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and present regulations to require that all certifications for receiving services shall be signed by an approving officer of the responsible component.

12. Paragraph 27a:

- (1) Obligations are not recorded in the allotment records based on invoices. When invoices for goods or services are received prior to the recording of the related obligation the invoice is not paid until an obligating document is received. When payment is made the posting of the expenditure also records the obligation but the obligation is based on the contract not the invoice.
- (2) When invoices received from commercial vendors are greater than the amount of the contract we either withhold payment to the vendor until we receive an amendment to the contract or we return the invoice to the vendor for correction. Invoices received from other Government Agencies which are substantially greater than the contract are referred to the contracting component for determination.

n. Paragraph 27 b:

It has always been the objective of the Division to distribute expenses to the proper sub-object classifications. We have and we will continue to devote every effort to attain this objective.

o. Paragraph 27 c:

Services and supplies received from the Government Printing Office, the General Services Administration and the services of the Department of Defense are billed at rates established by the supplying Agency and we have no authority to question the unit price. When there is a material variance between the estimated price shown on the order and the invoice price the invoice is referred to the contracting component for determination.

p. Paragraph 27 d:

Corrective measures will be taken to provide the proper certification of all charges on telephone bills.

q. Paragraph 27 e:

We agree that reimbursement to the OCE imprest fund be approved by a responsible officer other than the custodian of the fund. In the future we will require such approval.

r. Paragraph 27r:

The Fiscal Division is responsible for certifying all payroll disbursements. The Payroll Branch maintains controls which provide the basis for this certification. The T/A cards provide part of the data necessary to maintain these controls and these cards must be audited prior to their processing in the Machine Records Division. We do not agree that they be forwarded direct to the Machine Records Division by the components originating them. A program is now being prepared for processing the computation of the payroll on an electronic computer and consideration is being given in this program to the proposal that personnel actions be forwarded by the Office of Personnel directly to the Machine Records Division.

s. Paragraph 27s:

The cards maintained by the Payroll Branch for each terminated employee furnish the information necessary to locate the vouchers showing the date and amounts paid to the employee. Experience has shown that the record requires very little time to maintain and that it is a ready reference for use in answering the many questions received relative to amounts paid for salary and amounts deducted for taxes and retirement. The Payroll Branch is responsible for furnishing all payroll information requested relative to terminated employees and we do not agree that this card file should be discontinued. This file requires 4 safe drawers of space.

t. Paragraph 27t:

The present procedures of the Payroll Branch do require that the hours of the night tour of duty be shown on the T&A card in accordance with [REDACTED]. Greater care will be exercised in future audits of this type of duty.

u. Paragraph 27u:

The Technical Accounting Staff, of this Office, plans to prepare an Agency handbook setting forth the procedures for preparing and approving time and attendance cards.

v. Paragraph 27v:

The explanation on pay abstracts will in the future be shown in greater detail for the purpose of making them easily understandable.

w. Paragraph 27w:

- (1) Comptroller General Decision No. 36-769 states that "Claims against the United States which involve minor errors of computation or extension not in excess of \$10 may be adjusted upward or downward by Administrative Officers without having the claim amended by the Comptroller General. This decision applies to travel claims in addition to errors of extension of less than \$10 are

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corrected during the audit. This decision does not authorize the adding to the claim items which appear to have been omitted; however, when such items are disclosed by the audit of the claim the traveler is advised and he may, when proper, either amend his claim or submit an additional claim. This decision also does not authorize the approval of otherwise non-allowable items when such items are minor in amount.

- (2) Paragraph 24 of subject report states that "Our examination of procedures, controls and audit criteria disclosed an efficient operation and no audit exceptions were necessary"; however, written procedures will be prepared for the Travel Branch setting forth the authorities of the Branch, the audit criteria and the procedures for handling disallowances.

E. R. SAUNDERS

Original & 1 to Chief, Audit Staff
1 to DD/S
1 to TAS
1 to Comptroller ✓

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